

**PUBLIC DISCLOSURE**

**September 15, 2014**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**HINGHAM INSTITUTION FOR SAVINGS**

**CERT # 90211**

**55 MAIN STREET**

**HINGHAM, MASSACHUSETTS 02043**

**Division of Banks**

**1000 Washington Street**

**Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation**

**350 Fifth Avenue, Suite 1200**

**New York, New York 10118**

**NOTE:** This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution’s record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Hingham Institution for Savings (or “the Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **September 15, 2014**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution’s branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.

**INSTITUTION’S CRA RATING: This institution is rated “Satisfactory.”**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following table indicates the performance level of Hingham Institution for Savings with respect to the Lending, Investment, and Service Tests.

**LENDING, INVESTMENT, AND SERVICE TEST TABLE**

<b>PERFORMANCE TESTS</b> <b>Hingham Institution for Savings</b>			
<b>Performance Levels</b>	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory			
Satisfactory**	<b>X</b>	<b>X</b>	<b>X</b>
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

\*\*Note: FDIC rules and regulations stipulate use of a “High Satisfactory” and “Low Satisfactory” rating for the three tests. For purposes of this jointly issued public evaluation, the term “Satisfactory” will be used in lieu of the “Low Satisfactory” rating for the Lending, Investment, and Service Test ratings.

## **LENDING TEST**

The Lending Test is rated “Satisfactory” based on the following:

- Lending levels reflect adequate responsiveness to assessment area credit needs.
- An adequate percentage of loans are made within the Bank’s assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area, particularly in low- and moderate-income census tracts.
- The distribution of borrowers reflects, given the product lines offered by Hingham Institution for Savings, adequate penetration among borrowers of different income levels and businesses of different sizes.
- The Bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged area of its assessment area, low- and moderate- income individuals, and very small businesses, consistent with safe and sound banking practices.
- The Bank has made a relatively high level of community development loans.
- The Bank makes limited use of innovative and flexible lending programs to serve assessment area credit needs during the evaluation period.

## **INVESTMENT TEST**

The Investment Test is rated “Satisfactory” based on the following:

- The Bank has an adequate level of qualified community development investments and donations, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The Bank occasionally uses innovative or complex qualified investments to support community development initiatives.
- The Bank exhibits adequate responsiveness to credit and community economic development needs.

## **SERVICE TEST**

The Service Test is rated “Satisfactory” based on the following:

- The Bank provided an adequate level of community development services.
- The Bank’s delivery systems are reasonably accessible to essentially all portions of the institution’s assessment area.
- To the extent changes have been made, the institution’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services, including business hours, do not vary in a way that would inconvenience the needs of the assessment area, particularly the low- and moderate-income geographies and individuals.

## **SCOPE OF EXAMINATION**

Large Bank CRA examination procedures were used to evaluate Hingham Institution for Savings' CRA performance. Large Bank CRA examination procedures evaluate the Bank's CRA performance pursuant to three tests: Lending, Investment, and Services.

The Bank's CRA rating is derived from its performance in the assessment areas. Performance in the Boston/South Shore Metropolitan Statistical Area (MSA) assessment area and the Nantucket Non-MSA assessment area is analyzed separately. The Bank derives a substantial majority of its loans and deposits from the Boston/South Shore MSA, as shown in the following table. Therefore, examiners used full-scope procedures and weighted performance in this assessment area more heavily in overall conclusions and ratings. Examiners used limited-scope procedures to evaluate performance in the Nantucket Non-MSA assessment area, which carried less weight on overall conclusions and ratings.

<b>Table 1</b>			
<b>Assessment Area Weighting</b>			
<b>Assessment Areas</b>	<b>Loans (% of \$)</b>	<b>Deposits (% of \$)</b>	<b>Offices (%)</b>
Boston/South Shore MSA	83.2	95.7	91.7
Nantucket Non-MSA	16.8	4.3	8.3

*Source: 2012, 2013 and 2014 HMDA LARs and CRA Small Business LRs , 6/30/2014 Summary of Deposits*

The Bank's major product lines include home mortgage and small business loans, based on number and dollar volume of loans, and management's business strategy. Furthermore, home mortgage loans represent a larger portion of the loan portfolio and a more significant percentage of lending during the evaluation period. Accordingly, examiners placed more weight on the Bank's record of originating home mortgage loans than small business loans when arriving at overall conclusions and the Lending Test rating. No other loan types, such as small farm loans or consumer loans, represent a major product line; therefore, they provide no material support for conclusions or ratings, and are not presented in this evaluation.

This evaluation considered all home mortgage loans reported on the Bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2012, 2013, and the first two quarters of 2014. The Bank reported 578 loans totaling \$267.3 million in 2012, 658 loans totaling \$305.8 million in 2013, and 186 loans totaling \$107.6 million during the first two quarters of 2014.

Examiners also reviewed all small business loans reported on the Bank's CRA Loan Registers (LRs) for 2012, 2013, and the first two quarters of 2014. The Bank reported 55 loans totaling \$22.7 million in 2012, 58 loans totaling \$17.6 million in 2013, and 27 loans totaling \$11.1 million during the first two quarters of 2014.

With respect to the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While considered, the dollar volume of loans is not presented, other than in the Assessment Area Concentration table, as the number of loans is a better indication of the number of businesses and individuals served.

In addition to the Lending Test, which includes an analysis of community development loans and innovative and flexible lending practices, qualified investments and services were also reviewed.

The activities were evaluated from March 30, 2012 through September 15, 2014. Qualified community development equity investments were included regardless of investment date. Investments made prior to March 30, 2012 were valued at the June 30, 2014 book value.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Hingham Institution for Savings is a Massachusetts state-chartered, stock-owned savings bank, founded in 1834. The Bank does not have a holding company, does not have any affiliates, and does not have any operational subsidiaries (all subsidiaries are single purpose entities for holding real estate or securities). The Bank's main office is located at 55 Main Street, Hingham, Massachusetts and its administrative office and loan center are located at 49 Main Street, also in Hingham. In addition to its main office, the Bank operates full-service branches in South Hingham, Hull, Cohasset, North Scituate, South Weymouth, Hanover, Nantucket, and two branches in Boston (Beacon Hill and the South End). The Bank also operates a branch located in a retirement community (Linden Ponds) that is only open to residents. Since the previous evaluation, the Bank has not closed any branches. The Bank opened a branch on the Island of Nantucket in August 2013.

The Bank is a full-service financial institution that offers products and services for consumer and business customers. The Bank's deposit products include: free checking, interest checking, passbook savings, and money market savings. On the lending side, the Bank offers fixed-rate and adjustable-rate mortgages, as well as personal, automobile, and home equity loans. Other banking services include safe deposit boxes and wire transfers.

The Bank's total assets increased from \$1.1 billion to \$1.5 billion, or approximately 31.4 percent, since the prior evaluation. Loans totaled nearly \$1.2 billion, representing growth of approximately 39.6 percent since the previous evaluation. Loans account for 80.8 percent of total assets, and approximately 110.5 percent of total deposits as loan growth outpaced deposit growth during the evaluation period. Table 2 illustrates the loan portfolio composition as of June 30, 2014.

<b>Table 2</b>		
<b>Loan Distribution as of June 30, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(‘000s)</b>	<b>Percent of Total Loans (%)</b>
Construction & Land Development	78,797	6.6
Secured by Farmland	0	0.0
1-4 Family Residential	704,024	58.8
Multifamily (5 or more)	153,026	12.8
Secured by Nonfarm Nonresidential	260,090	21.7
<b>Total Real Estate Loans</b>	<b>1,195,937</b>	<b>99.9</b>
Commercial and Industrial	328	< 0.1
Consumer	669	<0.1
Agricultural	0	0
Lease Financing Receivables	0	0
Other Loans	115	<0.1
<b>Total Loans</b>	<b>1,197,049</b>	<b>100.0</b>

*Source: Call Report Schedule RC-C*

As the data in Table 2 shows, the Bank is predominantly a real estate lender with real estate loans representing 99.9 percent of the Bank's loan portfolio. The greatest share of the loan portfolio is secured by one-to-four family properties. These loans include closed-end mortgage loans (including junior liens), as well as revolving open end loans. Commercial real estate



lending also plays a significant role in the Bank's lending strategy, representing 21.7 percent of the loan portfolio.

The Bank's CRA performance was last evaluated by the Division and the FDIC on March 30, 2012 using Intermediate Small Bank procedures. The examination resulted in a rating of "Satisfactory." There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

### **Description of Assessment Area(s)**

The CRA requires that a financial institution define an assessment area, or areas, within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated. In accordance with the CRA, the Bank has identified two assessment areas: The Boston/South Shore assessment area, and Nantucket County, which is located in the non-MSA portion of Massachusetts.

The Boston/South Shore assessment area includes: Braintree, Brookline, Cohasset, Milton, Quincy and Weymouth, all located in Norfolk County; Hanover, Hingham, Hull, Marshfield, Norwell, and Scituate, all located in Plymouth County; and the following neighborhoods of Boston: Chinatown, Fenway, North End, South End, Dorchester, Jamaica Plain, Mattapan, Roxbury, and South Boston – all of which are located in Suffolk County. The Boston/South Shore assessment area is composed of 193 census tracts including 38 low-income tracts, 32 moderate-income tracts, 54 middle-income tracts, and 62 upper-income tracts. Seven census tracts are listed as "N/A." All municipalities are part of the Boston-Quincy, MA Metropolitan Division ("MD") and the larger Boston-Cambridge-Quincy, MA MSA.

The Nantucket Non-MSA assessment area comprises five census tracts: three middle-income census tracts and two upper-income census tracts. Of note is that all three of the middle-income census tracts (60.0 percent) are classified by the FFIEC as underserved. This Non-MSA assessment area does not include any low- or moderate-income census tracts. A majority of the population (8,455), 83.1 percent, resides in the assessment area's middle-income census tracts and the remaining 16.9 percent resides in upper-income census tracts.

To assess the Bank's lending performance for this evaluation, consideration is given to demographic data in the assessment area. Refer to Table 2 for pertinent demographic information concerning the Boston/South Shore assessment area, as this is the area reviewed using full-scope procedures.

<b>Table 3</b>						
<b>Boston/South Shore Assessment Area Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (Census Tracts)	193	19.7	16.6	28.0	32.1	3.6
Population by Geography	768,053	17.6	16.6	31.0	34.7	0.1
Owner-Occupied Housing by Geography	149,398	5.8	12.0	36.0	46.2	0.0
Distribution of Families by Income Level	163,101	27.0	15.3	17.8	39.9	0.0
Businesses by Geography	81,421	8.9	9.3	24.1	56.9	0.8
Median Family Income (MFI)		\$87,991	Median Housing Value Unemployment Rate		\$455,026	
2013 FFIEC-Updated MFI		\$88,000			8.4%	
Families Below Poverty Level		11.1%				

*Source: 2010 U.S. Census Data; 2013 D&B Data, 2013 FFIEC-Updated MFI*

### ***Economic and Demographic Data***

According to 2010 U.S. Census Data, the Bank's Boston/South Shore assessment area contains 163,101 total families. The composition of families by income level is as follows: 27.0 percent are low-income, 15.3 percent are moderate-income, 17.8 percent are middle-income, and 39.9 percent are upper-income. Approximately 11.1 percent of families are below the poverty threshold.

Housing units within the assessment area totaled 337,287, of which 44.3 percent were owner-occupied, 47.0 percent were rentals, and 8.7 percent were vacant. As shown in the table above, only 5.8 percent of owner-occupied housing units are in the assessment area's low-income tracts. This demonstrates the limited opportunity for residential lending in this tract income level.

There were 81,421 non-farm businesses in the assessment area in 2013. Of these, 69.4 percent have gross annual revenues (GARs) of \$1 million or less and 6.2 percent have GARs of more than \$1 million. The highest proportion of these business establishments are engaged in the services industry (47.2 percent). Businesses involved in finance and insurance (12.3 percent), retail trade (11.4 percent) and construction (5.1 percent) make up a significant share of the establishments. In terms of employees, approximately 62.5 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are: Boston Financial Data Services Inc.; Quincy Medical Center; Talbots Inc.; and, Linden Ponds.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the 2013 year end unemployment rate was 7.1 percent statewide, while the rate varied from 6.0 percent for Norfolk County to 7.0 percent for Suffolk County and 7.2 percent for Plymouth County.

### ***Competition***

Hingham Institution for Savings operates in a highly competitive market in terms of financial services. The Bank competes for loans with many commercial banks, savings banks, credit unions, and other mortgage lenders. Among the more prominent mortgage lenders competing with the Bank are Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A., Mortgage Master, Inc., and US Bank, N.A. According to the 2012 HMDA market share report of the Boston/South Shore assessment area, there were 496 lenders that originated or purchased one or more home mortgage loans. According to the 2012 small business market share data, 112 lenders originated or purchased one or more small business loans in the Boston/South Shore assessment area.

According to the FDIC deposit market share report as of June 30, 2014, there were 51 banks with one or more branches in the Boston/South Shore assessment area. Of these banks, seven banks had ten or more branches in the assessment area. Though the Bank's Boston/South Shore assessment area only includes some neighborhoods in Boston, the deposit market share information is not available on the census tract level; therefore, this data includes all Boston neighborhoods.

### ***Community Contact***

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

Examiners contacted a representative of an organization that focuses on community development in a municipality within the institution's assessment area. The organization focuses on a wide-range of community development initiatives including, but not limited to, affordable housing and first-time homebuyer seminars. The contact stressed the greatest needs of the area are affordable housing, financial literacy, and student debt relief. The contact also mentioned that it could use volunteers with technical expertise in finance and accounting to volunteer for the financial literacy and income tax programs it offers.

A second community contact was conducted in the Non-MSA assessment area with a local affordable housing authority. The contact noted there is a dire need for year-round housing and financial services, given the extreme fluctuations of business and population that occur annually as a result of the seasonal travel. The contact stated that homebuyers have difficulty with the standard 20 percent down payment requirement. Finally, the contact noted that there is a need for volunteers to assist in teaching financial literacy courses.

Overall, both contacts noted that local community banks had been responsive to the area's credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

### LENDING TEST

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm (where applicable), and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); (4) the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes; (5) the volume of community development lending; and (6) the use of innovative or flexible lending practices.

Hingham Institution for Savings' performance under the Lending Test is rated "Satisfactory."

#### **Lending Activity**

Hingham Institution for Savings' lending activity reflects adequate responsiveness to the assessment area's credit needs. The Bank actively originates home mortgage and small business loans in its combined assessment area. The following sections discuss the Bank's performance under this criterion by loan type.

##### ***Home Loans***

In 2012, Hingham Institution for Savings originated 439 home mortgage loans totaling \$217.1 million in the combined assessment area. This level of activity resulted in a market rank of 25<sup>th</sup> and a market share of 0.9 percent out of 473 lenders that originated or purchased at least one home mortgage loan in the area in 2012. Refinance and home purchase loans represented the primary focus of the Bank's home mortgage lending and comprised 55.4 percent and 30.5 percent, respectively, of the total number of loans. Home improvement loans accounted for the remaining 14.1 percent of total loans.

In 2013, the total number of home loans inside the assessment area increased by 10.7 percent compared to the prior year. Considerable growth occurred in the area of home purchases, as the Bank's lending increased from 134 loans in 2012 to 224 loans in 2013. The Bank attributed this increase to an overall improvement in market conditions.

##### ***Small Business Loans***

In 2012, the Bank reported 42 small business loans totaling \$17.7 million in the combined assessment area. This level of activity resulted in a market rank of 39<sup>th</sup> and a market share of 0.1 percent out of 112 lenders that originated or purchased at least one small business loan in the area in 2012. Small business loans are originated for a variety of business purposes such as working capital, business expansion, equipment purchases, and the purchase or refinance of commercial real estate. In 2013, the number of small business loan originations increased slightly, while the dollar volume decreased compared to the prior year.

## Assessment Area Concentration

The Bank made a majority of loans inside its combined assessment area. The following table illustrates the distribution of home mortgage and small business loans, by number and dollar volume, inside and outside the Bank's combined assessment area. As the table reflects, Hingham Institution for Savings consistently originated a majority of loans, both by number and dollar volume, inside its assessment area in 2013.

<b>Table 4</b> <b>Assessment Area Concentration Bank-wide</b>										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$(000s)
	#	%	#	%		\$(000s)	%	\$(000s)	%	
HMDA	1,057	74.3	365	25.7	1,422	524,291	77.0	156,439	23.0	680,730
Small Businesses	105	75.0	35	25.0	140	37,328	72.7	14,033	27.3	51,361

*Source: 2012, 2013, and YTD 2014 HMDA LARs and CRA Small Business Loan Registers*

## Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout the assessment area. Adequate performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts when arriving at this conclusion. As previously noted, home mortgage lending is the Bank's primary business focus, and was assigned more weight in arriving at this conclusion. This analysis includes loans made inside the assessment areas, and only presents loans made in the Boston/South Shore assessment area.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects adequate dispersion in the Boston/South Shore assessment area. Examiners focused on the comparison to aggregate data when arriving at this conclusion. The following table shows that the Bank's percentage in low-income census tracts fell slightly below the aggregate level and demographic indicators. Further demonstrating adequate performance under this criterion, the Bank's market rank of lending in low-income census tracts was 35<sup>th</sup>. The Bank's performance increased in 2013, from 2.7 percent to 6.0 percent. During the first two quarters of 2014, the Bank's performance demonstrated a further increase to 7.3 percent.

In 2012, the Bank's percentage of lending in moderate-income census tracts was below aggregate and demographics. Further demonstrating adequate performance of lending in moderate-income census tracts, it is noted that the Bank ranked 38<sup>th</sup> in this market segment. The Bank increased its level of lending in moderate-income tracts in 2013, from 6.1 percent to 9.4 percent. During the first two quarters of 2014, the Bank continued to trend in a positive direction as 22.9 percent of loans were made in moderate-income tracts.

Table 5 Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	2012 Aggregate Lending	2012 Bank Lending		% of Owner-Occupied Housing Units	2013 Bank Lending	
	%	#	%		#	%
Low	4.6	11	2.7	5.8	26	6.0
Moderate	9.4	25	6.1	12.0	41	9.4
Middle	33.3	112	27.3	36.0	158	36.2
Upper	52.7	262	63.9	46.2	211	48.4
Total	100.0	410	100.0	100.0	436	100.0

Source: 2012 Aggregate Data, 2012 and 2013 HMDA LARs, and 2010 U.S. Census Data

### Small Business Loans

The geographic distribution of small business loans reflects adequate dispersion throughout the Boston/South Shore assessment area. The following table shows that the Bank's percentage in low-income census tracts exceeds aggregate lending by 7.5 percentage points. The Bank ranked 20<sup>th</sup> of 48 lenders that originated or purchased at least one small business loan in the area's low-income tracts in 2012. The Bank's performance decreased in 2013, as the percentage of loans made in low-income tracts fell below demographic indicators. Furthermore, the Bank made 6.7 percent of loans to low-income census tracts during the first two quarters of 2014.

In 2012, the Bank's lending in moderate-income tracts was slightly below aggregate lending and demographic indicators. This performance resulted in a market rank of 28<sup>th</sup> of 52 lenders that originated or purchased at least one small business loan in the area's moderate-income tracts. The Bank's performance of lending in moderate-income tracts increased in 2013, to a level consistent with demographics.

Table 6 Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	2012 Aggregate Lending	2012 Bank Lending		% of Total Businesses (2013)	2013 Bank Lending	
	%	#	%		#	%
Low	5.7	5	13.2	8.9	2	4.7
Moderate	10.8	3	7.9	9.3	4	9.3
Middle	38.4	9	23.7	24.1	19	44.2
Upper	42.3	21	55.2	56.9	18	41.9
N/A	2.8	0	0.0	0.8	0	0.0
Total	100.0	38	100.0	100.0	43	100.0

Source: 2012 Aggregate Data, 2012 and 2013 CRA LRs, and 2013 Dun and Bradstreet Business Demographic Data

### Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, adequate penetration of loans to individuals of different income levels and businesses of different sizes.

As previously noted, home mortgage lending is the Bank's primary business focus, and was assigned more weight in arriving at this conclusion.

### ***Home Mortgage Loans***

The distribution of home mortgage loans in the Boston/South Shore assessment area reflects adequate penetration of loans to borrowers of different income levels, including those of low- and moderate-income. Examiners focused on the comparison to aggregate data when arriving at this conclusion.

Home mortgage lending to low-income borrowers is adequate when compared to aggregate data. While this performance is far less than the percentage of low-income families in the Boston/South Shore assessment area, this difference is explained by performance context. Specifically, a low-income borrower in the assessment area would have an income less than \$44,000 in 2013. Considering the median housing value in the assessment area of \$455,026, affordability is a factor. A low-income borrower would likely not qualify for a mortgage loan at these housing values using conventional underwriting standards. Furthermore, the Bank ranked 9<sup>th</sup> of 170 lenders that originated or purchased at least one loan to a low-income borrower in this assessment area in 2012. In 2013, the Bank made a similar percentage of loans to low-income borrowers when compared to 2012.

The Bank's performance of lending to moderate-income borrowers is similar to aggregate lending. In addition, the Bank ranked 31<sup>st</sup> of 276 lenders that originated or purchased at least one loan to a moderate-income borrower in this assessment area in 2012. Furthermore, the Bank's performance increased slightly in 2013.

<b>Table 7</b>						
<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>2012 Aggregate Lending</b>	<b>2012 Bank Lending</b>		<b>% of Total Families</b>	<b>2013 Bank Lending</b>	
	<b>%</b>	<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
<b>Low</b>	3.1	27	6.6	27.0	30	6.9
<b>Moderate</b>	12.8	51	12.4	15.3	62	14.2
<b>Middle</b>	21.5	52	12.7	17.8	72	16.5
<b>Upper</b>	48.6	244	59.5	39.9	181	41.5
<b>N/A</b>	14.0	36	8.8	0.0	91	20.9
<b>Total</b>	<b>100.0</b>	<b>410</b>	<b>100.0</b>	<b>100.0</b>	<b>436</b>	<b>100.0</b>

*Source: 2012 Aggregate Data, 2012 and 2013 HMDA LARs, and 2010 U.S. Census Data*

### ***Small Business Loans***

The distribution of business borrowers in the Boston/South Shore assessment area reflects excellent penetration of loans to businesses with GARs of \$1 million or less. The following table shows that 89.5 percent of loans were originated to businesses with GARs of \$1 million or less in 2012, which far exceeded aggregate at 37.5 percent. The Bank ranked 21<sup>st</sup> of 112 lenders that originated or purchased at least one small business loan to a business with GARs of \$1 million or less in 2012. In 2013, the Bank demonstrated an increase of loans to small businesses, at 97.7 percent.

Table 8 Distribution of Small Business Loans by Gross Annual Revenues						
GARs \$(000s)	Aggregate Lending (2012)	2012 Bank Lending		% of Total Businesses (2013)	2013 Bank Lending	
	%	#	%		#	%
≤ \$1,000	37.5	34	89.5	69.4	42	97.7
> \$1,000	62.5	4	10.5	6.2	1	2.3
Not Reported		0	0.0	24.4	0	0.0
<b>Total</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>

Source: 2012 Aggregate Data, 2012 and 2013 CRA LR's, and 2013 Dun & Bradstreet Business Data

## Community Development Lending

The Bank's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

For the purpose of this evaluation, a community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

The Bank made a relatively high level of community development loans during the evaluation period. Between March 30, 2012 and September 15, 2014, the Bank originated 21 community development loans totaling \$9.8 million inside its assessment area. As the Bank adequately addressed the community development needs of its assessment area overall, examiners considered community development loans outside of its assessment area. The Bank made 28 loans totaling \$8.7 million outside its assessment area, for a total of 49 community development loans totaling approximately \$18.4 million. A substantial majority of the Bank's community development loans were made to real estate investors and are secured by multi-family housing. These loans provide affordable rental housing to low- and moderate-income individuals.

All of the Bank's community development loans had the creation of affordable housing as the primary purpose, which demonstrates the Bank's responsiveness to this community development need as identified by two community contacts. The loans went toward construction, purchasing, refinancing, and home improvement of affordable housing units.

The following outlines the Bank's community development lending activity during the evaluation period. Between March 30, 2012 and December 31, 2012, the Bank originated one loan totaling approximately \$204,167 inside its assessment area, and nine loans totaling \$2.0 million outside its assessment area. In 2013, the Bank increased its community development lending, originating 14 loans totaling approximately \$5.0 million inside the assessment area, and 12 loans totaling \$4.0 million outside the assessment area. Between January 1, 2014 and September 15, 2014, the Bank originated six loans totaling \$4.6 million inside the assessment area and seven loans totaling \$2.7 million outside the assessment area. The following points



illustrate examples of the community development loans made by the Bank during the evaluation period:

- In April 2013, Hingham Institution for Savings made a \$2.6 million loan for one phase of the construction of a 20-unit townhouse development in Hingham. Of the seven total units constructed under this phase, two are affordable housing, pursuant to Massachusetts 40(b) requirements. As two of the seven units are designated as affordable housing for individuals or families of low- or moderate-income according to state requirements, \$743,000 is considered community development. This project demonstrates the Bank's commitment to financing affordable housing development in upper-income areas.
- In June 2014, the Bank made a \$6.5 million loan for the initial phase of a 30-lot residential development in Nantucket. This phase includes the construction of nine homes, of which two are designated as affordable housing for low- and moderate-income individuals or families pursuant to Massachusetts 40(b) requirements. The corresponding amount of the loan considered as community development is \$1.4 million.

### **Innovative or Flexible Lending Practices**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

The institution makes use of innovative and/or flexible lending practices in order to serve assessment area credit needs. The Bank offers various special mortgage loan programs tailored to assist low- and moderate-income individuals as well as first-time homebuyers in pursuing or maintaining homeownership. Loans originated under these programs were reported on the Bank's HMDA LARs and CRA Small Business Loan Registers. The programs are described here in order to highlight the innovative and/or flexible underwriting standards employed in the origination of loans for low- and moderate-income people and to businesses of different sizes. Detailed below are the Bank's qualifying loan programs.

#### ***Covenant Lending Program***

The purpose of the Covenant Program is to create stable housing options for year-round residents. The program is also intended to maintain Nantucket's diverse community, and generate a supply of housing that will remain permanently affordable. Covenant homes are a sub-market of Nantucket's residential real estate market and the sales price is restricted to income-qualified applicants and the sales price must be below the maximum sales/resale price per the guidelines established by Housing Nantucket. During the evaluation period the Bank originated four loans totaling \$1.4 million under this program.

#### ***First-Time Homebuyer Program***

The Bank created this program for their low- and moderate-income borrowers but with a higher household income cap to allow for the purchase of a starter home. The guidelines for this program are as follows: the property must be located in the Bank's assessment areas; maximum household income of \$115,000, borrower(s) must not have owned real estate in the past three years; flexible underwriting criteria; minimum 5 percent down payment with mortgage insurance

required; and, the Bank provides a \$1,000 credit to the borrower at closing. During the evaluation period, the Bank originated 11 loans totaling \$2 million to low- and moderate-income borrowers through this program.

## **INVESTMENT TEST**

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment areas or a broader statewide or regional area that includes the institution's assessment areas. Activities considered under the Lending or Service Test may not be considered under the Investment Test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

Hingham Institution for Savings has an adequate level of qualified community development investments and grants. The institution rarely demonstrated a leadership position in its community development lending, particularly in those loans and investments that are not routinely provided by private investors.

During the evaluation period the Bank's qualified investments and charitable donations totaled \$6,115,781. Qualified investments totaled \$5,971,281, which represents 0.4 percent of total assets (\$1.5 billion) and 2.6 percent of total investments (\$232 million). Of the qualified equity investments, \$2 million was invested since the previous evaluation. Investments made during the evaluation period receive credit for the original investment amount, and prior period investments are valued at current book value as of June 30, 2014. Listed below are the Bank's qualified investments.

### ***Boston Community Capital's Boston Community Loan Fund (BCLF)***

Boston Community Capital is a community development financial institution (CDFI) whose mission is to build healthy communities where low-income individuals live and work. The BCLF provides loans to non-profit organizations, community development corporations, and local developers that build affordable housing and provide social and community services for underserved communities. The Bank made two investments in the BCLF during the evaluation period – \$500,000 on October 3, 2012, and \$500,000 on July 10, 2013.

### ***Community Capital Management's CRA Qualified Investment Fund***

On November 6, 2003, the Bank invested in the Community Capital Management's CRA Qualified Investment Fund. The Fund earmarks funds to CRA-qualified investments inside the Bank's assessment area. The fund originated loans to low- and moderate- income borrowers in Weymouth, Hanover, Marshfield, and Hull. The fund also invested in Massachusetts Housing Finance Agency Single Family Housing Revenue Bonds, which enables MassHousing to originate loans to low- and moderate- income borrowers in Massachusetts. The Bank made two additional investments of \$500,000 into the fund on September 13, 2012 and June 27, 2013. As of June 30, 2014, the investment's book value is \$4,971,281.

### ***Charitable Contributions***

The Bank made qualified donations totaling \$144,500 during the evaluation period. All qualified donations benefitted the Bank's assessment areas or broader statewide or regional area including the Bank's assessment areas. These funds primarily supported organizations that provide community services to low- and moderate-income individuals and families.

Table 9 details all qualified donations made during the review period by year and community development category.

Table 9 Community Development Grants and Donations – Bank-wide												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$ (000)	#	\$	#	\$	#	\$	#	\$	#	\$
03/31/2012- 12/31/2012	0	0	9	50,000	1	1,000	0	0	0	0	10	51,000
2013	1	5,000	11	54,000	1	2,000	0	0	0	0	13	61,000
1/1/2014 - 9/14/2014	1	5,000	8	27,500	0	0	0	0	0	0	9	32,500
Total	2	10,000	28	131,500	2	3,000	0	0	0	0	32	144,500

Source: Internal Bank Records

The following is a sample of organizations that received donations from the Bank.

***Steppingstone Foundation*** – The Steppingstone Foundation is a not-for-profit organization that develops and implements programs that prepare underserved students for educational opportunities that lead to college success. Steppingstone Scholars are Boston Public School students from low- and moderate- income households.

***The Catholic Schools Foundation Inner City Scholarship*** – The Catholic Schools Foundation allows families with demonstrated financial need an opportunity to attend Catholic Schools throughout the Archdiocese of Boston. The Inner-City Scholarship Fund gives scholarships to students living in primarily high poverty neighborhoods in Boston. The Bank's donation was specifically targeted to providing educational opportunities for low-income students in the City of Boston.

***Rosie's Place*** – Rosie's Place was founded in 1974 as the first women's shelter in the United States. Its mission is to provide a safe and nurturing environment that helps poor and homeless women escape homelessness by providing emergency services, educational opportunities, advocacy support, and general empowerment. Rosie's Place provides meals and shelter to over 12,000 women a year in the Boston area.

***Asian Community Development Corporation*** - Asian Community Development Corporation (CDC) is committed to serving the Asian American community of Greater Boston, with an emphasis on preserving and revitalizing Boston's Chinatown. The Asian CDC develops physical

community assets, including affordable housing for rental and ownership; promotes economic development; builds capacity within the community; and advocates on behalf of the community.

***Massachusetts Affordable Housing Alliance (MAHA)*** - MAHA educates and mobilizes individuals and communities to increase affordable housing and sustainable homeownership across Massachusetts. Since 1985, the organization provided affordable mortgages to over 17,000 homebuyers and over \$6 billion in public and private investment in affordable housing. Over 20,000 people have graduated from the organization's home-buyer educational programs.

***Ellis Memorial South End*** - Ellis Memorial is Boston's first settlement house and has been working to support education, social, and health services in Boston's South End. The Bank's donation to the organization was specifically targeted towards educational and health service programs for elderly and disabled low-income families in the South End.

***Massachusetts Mortgage Bankers Association (MMBA) Scholarship*** - The MMBA established a scholarship program with Bunker Hill Community College. This program benefits students from low-income families as defined by HUD.

## **SERVICE TEST**

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

### **Accessibility of Delivery Systems**

The Bank's retail delivery systems are reasonably accessible to essentially all portions of the Bank's assessment area. Banking services are available at any time both online and via ATMs. The Bank's corporate headquarters is located in Hingham, a middle-income census tract. The Bank currently operates 10 full-service branches located in Hingham (2), Boston (2), Cohasset, Hanover, Hull, Scituate, Weymouth and Nantucket. One of the branches is located in a retirement community (Linden Ponds in Hingham) and is only open to the residents and employees of the community. The Bank has a loan center and administrative offices located in Hingham, in a middle-income census tract.

As the data shows in Table 10, there are no branches located in the low- or moderate-income census tracts. In addition to operating ATMs at each branch office, the Bank has two off-site ATMs in Hingham located at the Fruit Center Marketplace (available during store hours) and at the Shipyard (Commuter Boat Station), all of which are located in middle-income census tracts. The following table illustrates the distribution of branches and ATMs by census tract income level as compared

<b>Table 10</b> <b>Branch and ATM Distribution with Demographic Data – Bank-wide</b>							
Census Tract Income Level	Tracts		Population	Branches/Main Office		ATMs	
	#	%	%	#	%	#	%
Low	38	19.2	17.3	0	0.0	0	0
Moderate	32	16.2	16.4	0	0.0	0	0
Middle	57	28.8	31.7	4	36.4	8	44.4
Upper	64	32.3	34.5	7	63.6	10	55.6
N/A	7	3.5	0.1	0	0.0	0	0.0
<b>Total</b>	<b>198</b>	<b>100.0</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>

*Source: Internal Bank Records and 2010 U.S. Census Data*

### Changes in Branch Locations

To the extent changes have been made, the institution's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in the underserved, Non-MSA middle-income geographies on the Island of Nantucket. Specifically, on August 19, 2013, the Bank opened a branch located at 35 Main Street, on the Island of Nantucket. While the branch is in an upper-income census tract, it is accessible to the Island's three underserved middle-income tracts. In addition, the Bank has not closed any branches since the last CRA evaluation.

### Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences any portion of the assessment area(s), particularly low- and moderate-income geographies and/or individuals. Branch hours are convenient and comparable to other institutions, and bank services are sufficient to meet the needs of the assessment areas. All of the Bank's branches are open on Saturday.

The Bank offers a variety of financial services through its branch network. Deposit accounts include checking and savings accounts, money market accounts, certificates of deposit, and individual retirement accounts. The Bank also offers a variety of loan products including several fixed- and adjustable-rate mortgage programs and home equity lines of credit. Business services include checking and savings accounts, commercial loans, remote deposit capture, and automated clearinghouse services.

Hingham Institution for Savings offers Internet banking at its website: [www.hinghamavings.com](http://www.hinghamavings.com). The Bank also offers mobile banking and mobile check deposit; online banking and bill payment; free telephone banking; ATM and debit card; and eStatements.

## Community Development Services

Hingham Institution for Savings provides an adequate level of community development services. The following table illustrates the number of community development services by year and purpose.

Table 11 Community Development Services – Bank-wide						
Activity Year	Community Development Purpose					Totals
	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization Projects	
	#	#	#	#	#	
3/30/12-12/31/12	2	2	1	0	0	5
2013	5	3	1	0	0	9
YTD 2014	5	4	1	0	0	10
<b>Total</b>	<b>12</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>24</b>

Source: Internal Bank Records

The following points illustrate an example Bank's involvement in community development services during the evaluation period.

***Affordable Housing Alliance of Hanover*** – The Alliance's mission is to improve the quality of life for Hanover residents by developing and preserving affordable housing. An Assistant Vice President Branch Manager is a Trustee.

***Hingham Affordable Housing Trust*** – Created in 2007, the Trust aims to preserve affordable housing through a variety of means, which will benefit both current homeowners and potential new residents. The Trust will propose, support and develop affordable housing for the low- and moderate-income individuals and families of Hingham. The Executive Vice President is a Trustee of this organization

***Marshfield Boys and Girls Club*** – The mission of this club is to enable and inspire all people to realize their full potential as productive, caring, responsible citizens as well as become tomorrow's capable leaders, while supporting local families in the community. A majority of the individuals served by this organization are low- or moderate-income. The Vice President of Commercial Lending is the President of the Board of Directors.

***Mass Affordable Housing Alliance (MAHA)*** – MAHA educates and mobilizes individuals and sustainable homeownership in Massachusetts. A Bank Director serves as Chairman of the Advisory Board and the Bank President serves on the Advisory Board.

***South End Business Alliance*** – The goal of this organization is to expand the economic vitality of the South End through the cross-marketing, resource sharing and collective business growth. An Assistant Vice President/Branch Manager served as the Clerk.

### ***Educational Services and Seminars***

Bank officers and employees have participated in financial education seminars and other events sponsored by the Bank during the evaluation period. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area.

In 2013, the Bank sponsored four first-time homebuyer seminars in the Boston-South MSA Assessment Area. Topics included: budgeting and credit; local affordable housing options; home inspections; appraisals; insurance; and successful homeownership. Also in 2013, the Bank participated in a first-time homebuyer seminar that was presented by Housing Nantucket. Housing Nantucket focused on creating affordable housing for its residents, and offers the program *Covenant Homes*, which was previously discussed. Topics included the mortgage loan process and flexible home mortgage loan programs.

### **Other Community Development Services**

The Bank participates in the Interest on Lawyers' Trust Accounts (IOLTA). IOLTA was established in the United States in 1981. Lawyers place large client deposits, such as escrow accounts, in interest bearing accounts, with the interest to be paid to the client. Deposits that would individually be too small or too short-term to generate interest are pooled into IOLTA accounts. Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.

The Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.

### **RESPONSE TO CRA COMPLAINTS**

A review of FDIC and the Division records, as well as the Public File maintained by the Bank pursuant to the Community Reinvestment Act, disclosed no complaints relating to the Bank's CRA performance.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## APPENDIX A

### Minority Application Flow – Massachusetts Division of Banks

The Bank's HMDA LARs for 2012 and 2013 were reviewed to determine if the application flow from the different minority groups within the Bank's Boston/South Shore assessment area was reflective of the assessment areas demographics.

The Bank's residential lending in 2012 was compared to the 2012 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 12 for information on the Bank's minority application flow as well as a comparison to aggregate lending data within the Bank's assessment area.

<b>Table 12 - Minority Application Flow</b>					
<b>RACE</b>	<b>Bank 2012</b>		<b>2012 Aggregate Data</b>	<b>Bank 2013</b>	
	<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
American Indian/ Alaska Native	2	0.4	0.1	4	0.7
Asian	25	4.5	6.3	115	20.0
Black/ African American	3	0.5	3.2	3	0.5
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	13	2.3	1.3	9	1.6
<b>Total Minority</b>	<b>43</b>	<b>7.7</b>	<b>11.1</b>	<b>131</b>	<b>22.8</b>
White	456	81.6	63.7	356	61.9
Race Not Available	60	10.7	25.2	88	15.3
<b>Total</b>	<b>559</b>	<b>100.0</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>
<b>ETHNICITY</b>					
<b>Hispanic or Latino</b>	<b>8</b>	<b>1.4</b>	<b>1.4</b>	<b>10</b>	<b>1.7</b>
Not Hispanic or Latino	479	85.7	72.6	474	82.4
<b>Joint (Hisp/Lat /Not Hisp/Lat)</b>	<b>2</b>	<b>0.4</b>	<b>0.7</b>	<b>2</b>	<b>0.4</b>
Ethnicity Not Available	70	12.5	25.2	89	15.5
<b>Total</b>	<b>559</b>	<b>100.0</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>

Source: U.S. Census 2010, HMDA LAR Data 2012 and 2013, HMDA Aggregate Data 2012

According to the 2010 U.S. Census data, the Bank's Boston/South Shore assessment area had a population of 768,053 individuals, of which 38.6 percent are minorities. The assessment area's minority and ethnic population consists of 15.8 percent Black/African American, 9.8 percent Asian/Pacific Islander, 0.2 percent American Indian, 9.3 percent Hispanic, and 3.5 percent other.

In 2012, the Bank received 559 HMDA reportable loan applications within its assessment area. Of these applications 7.7 percent were received from minority applicants. Of these, 72.1 percent resulted in originations versus the aggregate originations that resulted in 67.0 percent. The Bank's performance was below the aggregate's performance of 11.1 percent of applications received from minorities. In 2012, the Bank received 10 applications representing 1.8 percent of applications from the Hispanic or Latino ethnic group, of which 8 or 80.0 percent of loans were originated compared to the aggregate of 65.9 percent. This was below the aggregate's



performance of 2.1 percent of applications received from the Hispanic or Latino ethnic group. The Bank approved minority and Hispanic applicants at higher rates when compared to the aggregate lending percentage. Aggregate originations were 67.0 percent of minority applicants and 65.9 percent of Hispanic applications, respectively.

In 2013, the Bank improved its performance to both minority (22.8 percent) and Hispanics (2.1 percent) applicants.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate.

**APPENDIX B**  
**Loss of Affordable Housing – Massachusetts Division of Banks**

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

Hingham Institution for Savings development of credit products with flexible lending criteria, participation in flexible lending programs, community development lending, and lending to low- and moderate-income borrowers has assisted low- and moderate-income individuals to remain in their neighborhoods.

## **APPENDIX C**

### **General Definitions**

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family

or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **APPENDIX D**

### **Investment Definitions**

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the Bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the Bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or non-profit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated non-profit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

## **APPENDIX E**

### **Standard Public Evaluation Language**

#### **LENDING TEST**

##### **Scope of Test**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

##### **Community Development Lending:**

##### **Performance Criteria**

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

##### **Innovative and Flexible Lending Practices:**

##### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

#### **INVESTMENT TEST**

##### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified

investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.



## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 55 Main Street, Hingham, MA 02043".

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.